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Biden Calls for Change in For-Profit School Funding Rule to Protect Veterans' Benefits

Loophole allows schools to exploit federal veterans' education funding

Wilmington – Attorney General Beau Biden and his colleagues from 21 other states today sent a letter to Congressional leaders urging them to close a loophole in the Higher Education Act that is harming American veterans and their families. The Attorneys General are asking Congress to require that GI Bill and Veteran's Assistance educational benefits be subject to the 90/10 rule, which prohibits for-profit colleges from receiving more than 90 percent of their revenue from public Department of Education (Title IV) funding sources. The 90/10 rule was enacted in 1998 to instill more accountability by for-profit colleges following Congressional investigations of the industry.

Through a loophole in federal law, for-profit schools are permitted to secure the remaining 10 percent of their income from Veterans' Affairs and Department of Defense veterans' programs, rather than obtaining that portion of their revenue from non-federal sources as the law intended. At the time the 90/10 rule was established, veterans' educational benefits were not a substantial source of potential income for these colleges. However, those benefits grew substantially in 2008 when Congress enacted the Post 9/11 GI Bill, making billions of dollars available for veterans and their families. During Fiscal Year 2010, \$9 billion in educational benefits were provided to service members and veterans, according to the Government Accountability Office. Moreover, total military educational benefits paid to 20 for-profit colleges increased 683 percent, from \$66 million in 2006 to a projected \$521 million in 2010, according to an analysis by the U.S. Senate HELP Committee.

"Our military servicemembers have earned the educational benefits that are meant to help them provide for their families and strengthen our workforce," Attorney General Biden said. "We must close this loophole and make sure for-profit colleges' focus is on providing a quality education and real-world skills to our citizen soldiers, not on exploiting them to make money."

In their letter, the Attorneys General noted the well-documented fact that the economic downturn resulted in an exodus of private lenders from the subprime student loan market, which for-profit colleges depended on in part to obtain their 10 percent of non-federal funds. This exodus of lenders and the veterans' loophole created a strong incentive to recruit military members. Schools are also using the military benefits to leverage even more Title IV funds, since each one dollar they obtain from DoD or VA sources allows them to obtain an additional nine dollars in Title IV funds.

"I believe we have a moral imperative to ensure that those who have sacrificed for our country obtain the best education possible, one that will equip them with the skills they need to find a good job,

repay their college loans, and go on to live productive lives,” said U.S. Senator Tom Carper. “That’s why we must focus on how we can fix problems within the higher education system and encourage all schools to deliver a higher quality education to our military and veteran populations. We must also demand more from the schools that serve our service members and veterans so we can get better results from this taxpayer funded program. I thank this coalition of Attorneys General for its support in our efforts.”

“This gives for-profit colleges an incentive to see service members as nothing more than dollar signs in uniform, and to use aggressive marketing to draw them in and take out private loans, which students often need because the federal grants are insufficient to cover the full cost of tuition and related expenses,” said Holly Petraeus, assistant director for service member affairs at the Consumer Financial Protection Bureau, in a September 2011 *New York Times* oped. “As long as military education funds are on the 10 percent side of the 90-10 rule, service members will be a lucrative target for exploitation.”

“It’s no longer a secret that the worst actors in the for-profit college industry are aggressively targeting veterans in order to pad their company’s bottom line,” said U.S. Senator Dick Durbin (D-IL). “Senator Harkin and I have a bill - *Protecting Our Students and Taxpayers (POST) Act* – that would close the outrageous loophole that allows this to happen. We need Congress to act on it to protect students and veterans from aggressive recruiting practices and help ensure taxpayers are getting a return on their investment. The Attorneys General that signed on to today’s letter will be important partners in that effort.”

A copy of the Attorney Generals’ letter is attached.

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